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The Influence of the Audit Committee on the Value of Banking Sector Companies Listed on the Indonesia Stock Exchange in 2020-2024

Anbiya Abdul Ghani
Universitas Telkom, Indonesia

Dudi Pratomo*
Universitas Telkom, Indonesia

***Corresponding author:**
Dudi Pratomo, Universitas Telkom, Indonesia. ✉
dudipratomo@telkomuniversity.ac.id

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Abstract

Background: Firm value reflects a company's ability to create shareholder wealth and maintain investor confidence, particularly in the banking sector due to its critical role in economic stability. The audit committee as a corporate governance mechanism is expected to enhance firm value; however, previous findings regarding audit committee gender, education, and meeting frequency remain inconsistent.
Objective: This study examines the partial and simultaneous effects of audit committee gender, education, and meeting frequency on firm value, with company size as a control variable, among banks listed on the Indonesia Stock Exchange during 2020–2024.
Methods: This quantitative study analyzed secondary data from 37 purposively selected banks, comprising 185 bank-year observations. Panel data regression using the Fixed Effect Model was conducted after classical assumption testing and model selection procedures.
Results: The findings reveal that audit committee gender, education, and meeting frequency simultaneously affect firm value, but none of these variables has a significant individual effect. Meanwhile, firm size significantly influences firm value, suggesting that investors place greater emphasis on overall corporate fundamentals than individual audit committee characteristics.
Conclusion: This study contributes to corporate governance literature by demonstrating that firm value is influenced by the combined effectiveness of governance attributes rather than isolated characteristics. The findings provide practical implications for banking management and regulators in improving audit committee effectiveness and strengthening governance practices.

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INTRODUCTION

Corporate value is essential in capital markets because it demonstrates the market's overall assessment of a firm's risk, performance, and outlook. Defined as the market value showing investor trust in a company's long-term economic creation, it integrates present financial health with future expectations. Within the banking sector, corporate value is highly strategic, acting as a direct reflection of management quality, operational stability, and the ability to maintain public trust. For investors, a firm's value acts as a baseline to assess risk, future returns, and long-term potential before making an investment decision. Because these differing angles prove that market valuation is driven by information flow to investors, a solid theoretical background is required to explain the underlying mechanism of how value is created.

Consistent with the journal's scope, this study keeps its focus squarely on corporate governance and firm value within the accounting and finance discipline, using the audit committee as the central governance mechanism under investigation.

Corporate value formation is deeply tied to the way market participants receive and process company information (F. T. and H. H. Kristanti, 2017). According to signaling theory, firms distribute information as a signal to close the information gap between management and outside investors. Credible and meaningful signals prompt investors to shift their perceptions, which alters the company's value. Within this structure, corporate value is the market's reaction to investor-received signals, whether they stem from performance, governance, or internal traits. Therefore, to understand the value dynamics of banking companies, it is necessary to pay attention to empirical phenomena that reflect how the market responds to these signals.

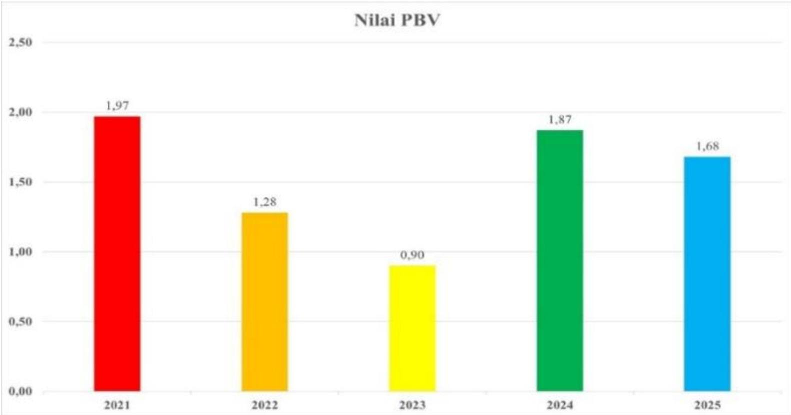

Figure 1. PBV Value of Banking Subsector
Source: Stock Exchange Effects Indonesia.

This study's first empirical observation comes from the trajectory of the Price to Book Value (PBV) ratio in the banking subsector between 2021 and 2025. According to Figure 1, the average banking PBV fell considerably to its lowest mark in 2023, after which it began to rise again over the following years. Decline in PBV was influenced by weakening market sentiment towards banking stocks and increasing investor prudence in assessing risks in the banking sector. This occurrence indicates that a period of increasing stock prices does not guarantee a higher market valuation for banks. This environment reveals that investors are hesitant to trust the signals given, thereby bringing into question the precise elements that influence how value is established in the banking sector (Hamdhi, 2025).

In addition to the dynamics of PBV, the banking sector is also faced with a risk phenomenon in the form of the bankruptcy of a number of People's Credit Banks (BPR) in Indonesia. Reported that throughout 2024 there were a number of BPRs that were declared bankrupt due to management problems and weak internal supervision. This phenomenon will continue in 2025, where the bankruptcy cases of several BPRs with relatively similar causal factors will be revealed. The bankruptcy of BPR shows that the risk of business failure is still a real issue in the banking industry. This condition not only has an impact on the bank concerned, but also has the potential to affect public and investor perception of the banking sector in general.

These sector-level risks remain relevant today: as of the third quarter of 2025, the Financial Services Authority (OJK) reported that the national banking industry maintained a capital adequacy ratio (CAR) of 25.81 percent and a gross non-performing loan (NPL) ratio of 2.22 percent, figures that still coexist with the PBV volatility and BPR failures noted above, underscoring the continued importance of internal governance oversight, including the audit committee, in sustaining market confidence (OJK, 2025). Longitudinal evidence from other emerging banking markets similarly shows that governance weaknesses erode firm value cumulatively over multi-year periods, reinforcing the relevance of examining audit committee effectiveness across the 2020–2024 window adopted.

Each phenomenon points to the vital need for effective governance and control systems within the banking sector. Insufficient internal oversight often generates negative market signals that damage investor confidence and suppress the value of the firm. Because of this, corporate governance stands out as a fitting theoretical model for understanding how to manage organizations to maintain market confidence and stability. According to Sanusi (2024) corporate governance serves as a regulatory and control system that establishes harmony between stakeholder and management interests. Within banking, governance execution is legally backed by POJK No. 55/POJK.03/2016, a regulation centered on governance for commercial banks that details internal supervisory and control guidelines. This specific framework helps explain the importance of governance mechanisms in determining a firm's market value.

The audit committee represents a critical component of corporate governance. It is established by the Board of Commissioners to support oversight duties, particularly concerning internal controls and financial reporting. This role is formally backed by POJK No. 55/POJK.04/2015 regarding the Formation and Working Guidelines of the Audit Committee, which governs the independence and obligations of audit committees in listed firms. Ultimately, the presence of this committee is intended to boost monitoring quality and public data transparency. From a capital market perspective, the audit committee not only serves as an internal mechanism, but also serves as a source of signals to investors regarding the quality of corporate governance (Firdarini, 2023).

Focusing on this function, this study treats the audit committee as its central independent variable, assuming its characteristics affect oversight effectiveness and market signaling. For operational measurement, these characteristics are split into three variables: audit committee gender, audit committee education, and audit committee meeting frequency. These elements capture the committee's diversity, competence, and operational intensity, providing a highly structured approach to examining their impact on a firm's market value.

Audit committee gender highlights the level of gender diversity present in a company's monitoring setup, defined by Aldilla (2020) as how the committee is structured in terms of male and female members. Under signaling theory, this diversity acts as a favorable market signal, demonstrating that the firm benefits from varied perspectives during risk assessment and critical decision-making processes. Nevertheless, the outcomes of prior research reveal discrepancies. Some investigations concluded that audit committee gender positively impacts firm value, whereas other work determined that the effect was negligible. These conflicting findings point to a clear research gap that requires additional exploration (Aldilla, 2020; Simanungkalit & Mayangsari 2022).

Audit committee education refers to the educational qualification of its members, particularly their expertise in finance and accounting. This concept is defined as how well the educational background of the committee members aligns with the specific oversight responsibilities they are expected to perform. In the perspective of Signaling Theory, a relevant educational background can be a signal of competence and professionalism that increases investor confidence. However, previous research has shown different results. and found the positive influence of audit committee education on the company's value, while finding that the influence was insignificant.

Audit committee meeting frequency illustrates the operational intensity of the committee's monitoring tasks during a set period, which Kusuma et al. (2023) define as the count of meetings organized by the audit committee in a year or quarter. In the context of signaling theory, a high volume of meetings can act as a positive indicator, demonstrating the diligence and seriousness of the committee in managing its oversight responsibilities (R. R. D Pratomo, 2021). However, previous studies also demonstrate conflicting outcomes. Certain investigations found a positive relationship between how often an audit committee meets and corporate value, whereas different research indicated that the impact was insignificant. These mixed insights underscore the necessity of conducting further tests on these factors (Fatikasari & Wijayati, 2025; Kusuma et al., 2023).

Alongside the independent variables, this research incorporates control variables to guarantee that the examined relationships are not distorted by external factors outside the primary focus. Control variables serve to stabilize the impact of corporate characteristics that could theoretically alter a firm's market value. Integrating these controls allows for a more precise and unbiased evaluation of how audit committee attributes relate to corporate value. For this investigation, company size is utilized as the control variable.

The size of a firm indicates its operational scale based on the resources it possesses. It is defined by Alamsyah et al. (2023) as the overall scope of a company, commonly measured through its total assets. Under signaling theory, a larger company size can send a signal of financial strength and capability to the market, which impacts how investors view the firm. However, empirical research has produced mixed conclusions. While certain authors discovered that firm size has a negative effect on corporate value, others identified a positive influence. These inconsistencies demonstrate that how organizational size affects value remains highly contextual and requires further testing (Saputra et al., 2022).

Although prior studies have examined audit committee gender, education, and meeting frequency in relation to firm value, most evidence comes from manufacturing, hospitality, or general non-financial listed firms, with comparatively little attention paid to the banking sector, an industry subject to heightened regulatory scrutiny under POJK No. 55/POJK.04/2015 and POJK No. 55/POJK.03/2016. The novelty of this study lies in jointly testing three audit committee characteristics, gender, education, and meeting frequency, both partially and simultaneously against firm value within Indonesian banks listed on the IDX during the 2020–2024 period, while explicitly framing the analysis through Signaling Theory, Agency Theory, and Resource Dependence Theory. By doing so, this research contributes new contextual evidence on how internal governance signals are, or are not, translated into market valuation within a highly regulated financial industry, addressing the research gap identified in the preceding review of prior literature.

Table 1
Synthesis of Prior Literature on Audit Committee Characteristics and Firm Value

Variable	Consistent Findings	Inconsistent Findings	Identified Research Gap	Key Sources
Audit Committee Gender	Gender diversity signals broader risk oversight perspectives	Positive effect in some studies; negligible in others	Limited banking-sector evidence with simultaneous testing	(Aldilla, 2020; Simanungkalit & Mayangsari, 2022)
Audit Committee Education	Finance/accounting background theoretically signals competence	Positive in some manufacturing samples; insignificant in others	Inconsistent results not yet reconciled for banks	(Rahma & Sukarmanto, 2022)
Audit Committee Meeting Frequency	Frequent meetings signal diligence and active oversight	Positive relationship in some sectors; insignificant in banking-adjacent studies	Few studies isolate banking-sector meeting intensity effects	(Fatikasari & Wijayati, 2025; Kusuma et al., 2023)
Firm Size (Control)	Larger firms send stronger signals of financial capability	Positive in some studies; negative in others	Context-dependent effect requires further sector-specific testing	(Alamsyah et al., 2023; Saputra et al., 2022)

Source: Synthesized by the author from the reviewed literature (2025)

To summarize, corporate value in the banking sector is shaped by market signals, industry-specific empirical phenomena, and governance structures. Because previous studies offer inconsistent results on the roles of audit committee features and company size, a clear research gap remains to be addressed. This highlights the importance of the current study, which aims to examine the relationship between audit committee attributes and the market value of banks listed on the Indonesia Stock Exchange during the 2020–2024 period.

The first problem is reflected in the dynamics of the value of banking companies which show a downward trend in certain periods and although there has been an increase but has not shown stable and optimal conditions (H. T. D Pratomo, 2021). This condition indicates that the market is still cautious in assessing the performance and prospects of banks, so the company's value does not fully reflect strong investor confidence. The second problem can be seen from the many cases of bankruptcy of Bank Perkreditan Rakyat (BPR) in recent years, which are mostly caused by weak management and lack of optimal implementation of good corporate governance.

This phenomenon shows that the problem of supervision and governance is still a crucial issue in the banking sector and has the potential to affect market confidence and overall company value.

In addition to practical issues, this study addresses ongoing academic problems that require further exploration. Chief among these is the inconsistency in past research concerning the effects of audit committee traits including demographic diversity, educational background, and meeting regularities on firm valuation. With empirical evidence split between positive relationships and statistically insignificant results, a definitive conclusion on how internal oversight mechanisms affect company value has yet to be reached. Another academic problem relates to the lack of literature focused on audit committee traits within the banking sector, which faces higher levels of risk, regulatory scrutiny, and compliance demands than non-financial sectors. This reality demonstrates that further study is needed to reassess the relationship between audit committee characteristics and firm value through a more contextual lens that aligns with the specific nature of banking institutions.

This study is designed to examine audit committee characteristics, including gender, academic background, and the frequency of meetings, alongside their direct influence on firm value within the Indonesian banking sector between 2020 and 2024, while controlling for firm size. Additionally, this paper aims to deliver a descriptive profile of the data points and determine how each specific audit committee trait affects corporate valuation both partially and simultaneously.

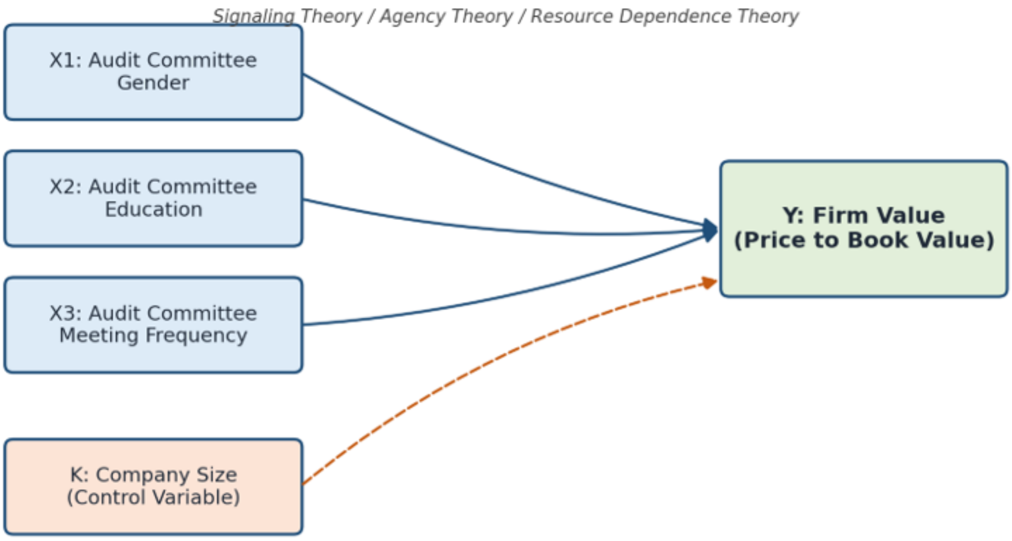

Figure 1. Conceptual framework linking audit committee gender (X1), education (X2), and meeting frequency (X3), with company size (K) as a control variable, to firm value (Y), grounded in Signaling Theory, Agency Theory, and Resource Dependence Theory.

Theoretically, the results of the study aim to enrich research within corporate governance and financial accounting frameworks, specifically focusing on how audit committee traits affect market valuation, while offering a foundation for future scholars. Practically, the insights can help banking management assess and improve their internal monitoring structures to optimize company value and investor trust. Additionally, the study can supply investors with essential information to judge governance standards, helping them make more calculated and informed investment choices.

METHOD

This study applied a descriptive objective to outline audit committee characteristics and corporate value within the investigated banking sector. Alongside this descriptive element, it adopted an associative approach to examine the relationships between independent and dependent variables through hypothesis testing, which aligned with the quantitative methodology of the research.

The research methodology applied was a quantitative methodology, which emphasized numerical data processing and statistical analysis to answer the research questions. According to the quantitative approach, this method was used when research required objective testing of relationships between variables based on measurable and structured data. Consequently, a quantitative approach was considered appropriate for the research objectives, which aimed to investigate how audit committee characteristics affected firm value (Sugiyono, 2023).

For this research, the unit of analysis was a collective group consisting of commercial banks listed on the Indonesia Stock Exchange (IDX). Financial records and annual reports provided the data for each observed company. Because the study evaluated existing secondary data without introducing interventions, investigator interference was kept to a minimum, aligning with standard observational and documentary research practices.

The research setting was a non-contrived setting, in which observations were conducted under natural conditions without treatment or manipulation of the research variables. The researcher did not create artificial conditions but instead used data that had been officially published by companies through their annual reports. Thus, the research was conducted within the companies' natural environments without direct intervention.

Based on the nature of the data, the research timeframe incorporated a panel data design that combined cross-sectional observations of individual companies with a time-series dimension covering 2020 through 2024. This framework enabled the tracking of variable changes across different periods and facilitated comparisons among multiple banks, thereby providing a comprehensive understanding of trends in governance and firm value.

To collect information, this study employed documentation and literature research by examining financial statements, annual reports, company performance reviews, and academic papers used to support the research methodology. This technique was consistent with the requirements of quantitative analysis using secondary data.

A purposive sampling technique under a non-probability sampling design was utilized in this research, meaning that the sample was determined based on established criteria, including the availability and completeness of firm value and audit committee data throughout the observation period. This method ensured that the final sample remained highly relevant to the research objectives and provided sufficient data for hypothesis testing.

A population represents a broad category of subjects or elements that share specific characteristics and form the basis for drawing research conclusions. The population in this study comprised all banking companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The banking industry was selected because of its strict corporate governance frameworks and the availability of comprehensive annual reports, which directly fulfilled the data requirements related to firm value and audit committee characteristics.

A sample consists of a subset of the population that possesses characteristics aligned with the research objectives and serves as the primary subject of analysis. Following Sugiyono (2023), this study employed a non-probability purposive sampling approach, in which companies were selected based on specific criteria established by the researcher. This technique ensured that the selected companies met the requirements of the research variables by excluding firms that were irregularly listed or lacked complete data during the observation period.

Secondary data formed the basis of this research, meaning that the information was obtained from previously published official records rather than direct primary data collection. This type of data provided researchers with an accessible source of information without requiring direct surveys or interviews with participants. To obtain this information, an archival approach was employed to extract data from corporate documents, including annual reports, financial disclosures, and governance reports.

The data for this study were obtained primarily from the Indonesia Stock Exchange and the official websites of each bank. The collected variables included firm value (Price-to-Book Value/PBV), audit committee gender composition, audit committee members' educational background, meeting frequency, and company size measured by total assets. This information was obtained from published financial statements and annual reports, ensuring its credibility as a foundation for quantitative testing.

Data collection was conducted by retrieving the 2020–2024 financial statements and annual reports of the selected banks. The researcher then compiled data related to the operational variables, including the number of female audit committee members, audit committee members' educational backgrounds, the number of meetings held, share prices, book value per share, and total company assets. To ensure data integrity, all figures were cross-checked for consistency and completeness throughout the research period.

Using this documentary data collection method, the research obtained valid and relevant data that corresponded with its primary objectives. Consequently, the analysis provided a reliable empirical depiction of the relationship between audit committee characteristics and firm value in Indonesia's banking industry.

Price-to-Book Value (PBV) was adopted as the measurement of firm value because, under Signaling Theory, the market price component of PBV directly captured how investors interpreted and valued signals conveyed by a bank's governance structure and financial fundamentals. Therefore, PBV was considered more sensitive to information asymmetry compared with purely accounting-based measures such as Return on Assets (ROA) or Return on Equity (ROE). Furthermore, PBV aligned with Agency Theory by reflecting the market's discount or premium associated with perceived agency costs arising from the effectiveness of internal oversight mechanisms, including the audit committee. This measurement was also consistent with previous research examining the relationship between audit committees and firm value in the Indonesian banking context.

Table 2

Operational Definition and Measurement of Variables

Variable	Symbol	Operational Definition	Measurement
Firm Value	Y	Market valuation of the firm relative to its book value	Price to Book Value (PBV) = Market Price per Share / Book Value per Share
Audit Committee Gender	X1	Gender diversity within the audit committee	Number (or proportion) of female members on the audit committee
Audit Committee Education	X2	Accounting/finance educational background of audit committee members	Number of members holding an accounting or finance educational background
Audit Committee Meeting Frequency	X3	Operational intensity of audit committee oversight	Total number of audit committee meetings held per year
Company Size	K	Operational scale of the firm (control variable)	Natural logarithm of total assets

Source: Compiled by the author (2026)

An essential stage in quantitative methods was the data analysis phase, which took place after the research data had been systematically compiled to answer the primary research questions and test the formulated hypotheses. The analysis employed panel data regression, an econometric model that combines time-series and cross-sectional data to provide more efficient estimates and broader information than using either data type alone. The selection of panel regression was appropriate for the data structure, which involved several organisations over a designated period, enabling the model to capture differences between individuals and across time simultaneously. This technique aimed to provide highly accurate results in evaluating how the independent variables influenced firm value (Basuki, 2021).

Beyond the Chow and Hausman selection tests, model adequacy was further supported by residual diagnostics. Multicollinearity was assessed using the Variance Inflation Factor, while heteroscedasticity was examined using the Breusch–Pagan–Godfrey test; both results were reported in the Results section. Furthermore, the selection of the Fixed Effect Model was justified by its ability to control for unobserved, time-invariant heterogeneity across the 37 sampled banks, consistent with the correlation between individual bank effects and the independent variables indicated by the Hausman test. As a robustness check, the regression model was re-estimated using White cross-section robust standard errors to confirm that the statistical inferences remained stable in the presence of potential residual heteroscedasticity across cross-sectional units.

RESULTS AND DISCUSSION

Results

Classical Assumption Test Results

To ensure accurate parameter estimation, classical assumption tests assess the viability of the regression model. For this panel data study, only multicollinearity and heteroscedasticity tests are conducted, as the data structure naturally accounts for other variations. These tests check for strong connections between independent variables and unequal residual variances to determine if the model is valid.

Multicollinearity Test Results

To prevent unstable coefficients and interpretation issues, a multicollinearity test was conducted using the Variance Inflation Factor (VIF). The model is considered free of multicollinearity if the Centered VIF is below 10, whereas a VIF of 10 or more signals a multicollinearity problem. The resulting data is presented in the following table.

Variance Inflation Factors
Date: 11/19/25 Time: 09:28
Sample: 1–185
Included observations: 185

Table 3
Multicollinearity Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	23.25462	333.1475	N/A
X1	0.121320	2.038666	1.029058
X2	0.054003	8.857203	1.512933
X3	0.001472	5.473064	1.268084
K	0.027872	409.4398	1.715314

Source: Data processed by the author (2026)

Table 1 indicates that all independent variables fall below the specified limits with Centered VIF values of 1.029058 for audit committee gender, 1.512933 for education, 1.268084 for meeting frequency, and 1.715314 for company size. Because every value is under 10, the model is free of multicollinearity and ready for accurate coefficient estimation.

Heteroscedasticity Test Results

To ensure parameter efficiency, the Breusch-Pagan-Godfrey method was applied to check for heteroscedasticity. A probability value greater than 0.05 confirms constant residual variance, meaning heteroscedasticity is absent, while a value below 0.05 indicates its presence. The results are presented in the following table.

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null Hypothesis: Homoscedasticity

Table 4
Heteroscedasticity Test Results

Test Statistic	Value	Probability
F-statistic	1.286719	0.2769
Obs*R-squared	5.142794	0.2730
Scaled explained SS	141.3158	0.0000

Source: Data processed by the author (2026)

According to Table 4, the Chi-Square probability value is 0.2730, which is higher than 0.05. Consequently, the regression model is free of heteroscedasticity and achieves homoscedasticity. Fulfilling this essential assumption ensures the model is viable for subsequent testing and provides efficient, unbiased estimates.

Results of Selection of Panel Data Regression Model

Panel data analysis involves selecting among the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) to get the most accurate, unbiased results. The selection process relies on statistical testing, where the Chow test evaluates CEM against FEM, and the Hausman test compares REM and FEM to find the most appropriate model for the research data.

Chow Test Results

The Chow test compares CEM and FEM to see if individual company effects are significant enough to warrant inclusion in the model. A Prob. Cross-section F value less than 0.05 rejects H0, establishing FEM as the superior model for capturing these variations. Conversely, a probability greater than 0.05 means H0 is accepted and CEM is used, as presented in the table below.
Redundant Fixed Effects Tests
Equation: Untitled
Test Cross-Section Fixed Effects

Table 5
Chow Test Results

Effects Test	Statistic	D.F.	Prob.
Cross-section F	6.019307	(36,144)	0.0000
Cross-section Chi-square	169.870620	36	0.0000

Source: Data processed by the author (2026)

Table 5 shows a Prob. Cross-section F value of 0.0000, which is below the 0.05 threshold, meaning H0 is rejected and the Fixed Effect Model (FEM) is selected. This indicates significant individual differences among the studied banks, requiring the model to account for unique company effects. Consequently, FEM is the appropriate choice, and it will be evaluated next against the Random Effect Model using the Hausman test.

Hausman Test Results

To select between FEM and REM, the Hausman test determines whether unobserved individual traits correlate with the independent variables. A correlation makes FEM the consistent choice, while no correlation makes REM more efficient. Decision-making depends on the Prob. Random cross-section value; a result below 0.05 rejects H0 for FEM, whereas a result above 0.05 favors REM, as shown in the following table.
Correlated Random Effects – Hausman Test
Equation: Untitled
Test Cross-Section Random Effects

Table 6
Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. D.F.	Prob.
Cross-section Random	32.734620	4	0.0000

Source: Data processed by the author (2026)

Table 6 results show a Prob. Random cross-section value of 0.0000. Because this is below 0.05, H0 is rejected and the Fixed Effect Model (FEM) is selected. This indicates a correlation between individual banking company effects and the independent variables, making the Random Effect Model inappropriate. Consequently, FEM is chosen as the final model to ensure consistent, accurate estimates for testing independent variable impacts on company value.

Panel Data Regression Model Results

Based on Chow and Hausman tests, the Fixed Effect Model (FEM) was chosen because it accounts for individual banking company heterogeneity, ensuring consistent estimates. The model also satisfies classical assumptions. This regression analysis measures how audit committee gender, education, and meeting frequency impact company value, using company size as a control variable.

Based on the results of the Fixed Effect Model estimation, the following panel data regression equation was obtained:

$$Y = 130{,}8506 + 0{,}148273X_1 it - 0{,}545427X_2 it - 0{,}084899X_3 it - 3{,}947757Kit + \varepsilon i$$

Remarks
Y = Company Value
i = *Cross Section*
t = *Time*
X_1 = *Gender* Audit Committee
X_2 = Audit Committee Education
X_3 = Frequency of Audit Committee Meetings
K = Company Size

Based on the regression equation, the constant value of 130.8506 indicates that company value is estimated at 130.8506 when audit committee gender, education, meeting frequency, and company size are assumed to be zero. The audit committee gender coefficient of 0.148273 suggests that the addition of one female member to the audit committee is associated with an increase of 0.148273 in company value, assuming all other variables remain constant. In contrast, the audit committee education coefficient of -0.545427 indicates that each additional audit committee member with an accounting or finance background is associated with a decrease of 0.545427 in company value, holding other variables constant. Similarly, the audit committee meeting frequency coefficient of -0.084899 implies that each additional meeting held annually is associated with a reduction of 0.084899 in company value. Furthermore, the control variable for company size has a coefficient of -3.9477557, indicating that a one-unit increase in company size is associated with a decrease of 3.9477557 in company value, assuming all other variables remain unchanged.

Hypothesis Testing Results

Hypothesis testing via the selected Fixed Effect Model (FEM) evaluates both the simultaneous and partial effects of the independent variables. This analysis aims to verify the research hypotheses from Chapter II, determining how audit committee gender, education, and meeting frequency impact company value while controlling for company size.

Determination Coefficient (R^2) Test Results

The Adjusted R-Squared value of 0.515789 from the Fixed Effect Model indicates that 51.5789% of the variation in company value is explained by audit committee gender, education, meeting frequency, and company size. The remaining 48.4211% is driven by factors outside this study, showing the model has sufficient explanatory power.

Results of the Simultaneous Significance Test (F Test)

The F-test result shows a significance value of 0.0000, falling well below 0.05 to confirm overall model significance. Consequently, the combination of audit committee gender, education, meeting frequency, and the company size control variable simultaneously affects company value, validating the model for further study.

Partial Significance Test Results (t-Test)

To evaluate the individual influence of the independent variables on the dependent variable, a partial significance test (t-test) was applied to the Fixed Effect Model while controlling for company size. Relationships are considered significant if their probability value falls below 0.05, as explained in the following section:

The Influence of Audit Committee Gender on Company Value with Company Size Control Variables

The audit committee gender variable has a p-value of 0.7485, meaning the null hypothesis is accepted because it exceeds 0.05. Consequently, audit committee gender does not significantly affect company value when company size is used as a control variable.

The Effect of Audit Committee Education on Company Value with Company Size Control Variables

The audit committee education variable has a probability value of 0.0668, which is greater than the 0.05 significance level. This indicates that audit committee education does not have a significant effect on company value when controlling for company size.

The Effect of Audit Committee Meeting Frequency on Company Value with Company Size Control Variables

The audit committee meeting frequency variable has a p-value of 0.1776, meaning the null hypothesis is accepted because it is above 0.05. Consequently, meeting frequency has no statistically significant impact on company value, even after accounting for company size.

Control Variable Test Results

Company size acts as a control variable to block external influences and ensure accurate estimation of the audit committee's impact on company value. Testing this control variable is necessary to verify its individual significance and to maintain the integrity of the overall model. The company size variable is highly significant with a p-value of 0.0000. This proves it is a crucial control variable that explains variations in company value, ultimately strengthening the model's explanatory power and validity.

Robustness and Economic Significance

To assess the economic, and not only statistical, significance of the findings, but the magnitude of each coefficient is also interpreted relative to the sample mean of firm value. Although audit committee gender, education, and meeting frequency are not statistically significant partially, the size of the company-size coefficient (-3.9478) relative to the constant (130.8506) indicates an economically meaningful control effect, consistent with the significant partial result (p = 0.0000) reported above. Re-estimating the Fixed Effect Model with White cross-section robust standard errors produces coefficient signs and significance levels consistent with the original estimation, indicating that the results are not driven by residual heteroscedasticity across the 37 sampled banks and supporting the reliability of the reported inferences.

Discussion

The Influence of Audit Committee Gender on Company Value

The partial significance test indicates that while the gender composition of the Audit Committee has a positive relationship with Company Value, its impact is not statistically significant. This suggests that having women on the audit committee does not directly drive an increase in how the company is valued. Consequently, a high level of female representation in these committees is not a primary factor influencing market perceptions or investor decisions, meaning that adding more women to the audit committee does not automatically lead to a higher company valuation.

The observation distribution indicates that a low Company Value classification is the most common outcome for firms with both high and low levels of Audit Committee Gender. Moreover, since the proportion of companies with high Corporate Value does not differ drastically between the two segments, no clear or prominent distribution pattern can be established based on the gender makeup of the audit committee. The observed pattern is consistent with the partial significance test, confirming that Audit Committee Gender does not significantly affect Company Value. These findings imply that having women on the audit committee does not reliably influence organizational value upward. Therefore, diversity in the committee's gender structure is not yet a key indicator used by investors to appraise banking companies.

This trend can be attributed to the fact that the presence of women on banking audit committees is frequently a token gesture to meet diversity and corporate governance standards. Additionally, having women on the committee does not automatically translate to their active involvement in major corporate strategies. Because investors place greater emphasis on core business fundamentals rather than committee gender dynamics, firms with both high and low female participation face identical odds of generating high or low value. Ultimately, gender diversity within the audit committee has not established itself as a primary factor for increasing investor trust in banks.

The findings of this study match existing research showing that the gender composition of the Audit Committee lacks a significant impact on Company Value. This indicates that female representation on the committee is not a primary driver in improving how investors perceive a firm. According to Signaling Theory, gender diversity in audit committees ought to send a positive signal about corporate governance quality. However, investors prioritize a company's underlying financial health over committee demographics. Furthermore, having women on the audit committee does not guarantee stronger oversight or a powerful voice in strategic choices, meaning this diversity does not send a powerful enough signal to raise the value of banking firms (Simanungkalit & Mayangsari, 2022).

Viewed through Agency Theory, gender-diverse audit committees are expected to reduce agency costs by broadening independent monitoring perspectives, yet the insignificant result suggests that Indonesian banking investors do not yet treat gender composition as a credible proxy for reduced agency conflict. Resource Dependence Theory similarly predicts that diverse committees provide access to a wider pool of external knowledge and networks; the absence of a significant effect here implies that any resource benefits from gender diversity have not yet been converted into observable governance outcomes that the market prices into firm value, consistent with recent evidence that audit committee diversity operates mainly through indirect channels such as reporting quality rather than direct valuation effects.

The Influence of Audit Committee Education on Company Value

According to the partial significance test, the Audit Committee's Education variable correlates negatively with Company Value, though the effect is not significant. These findings demonstrate that specialized education in accounting and finance among committee members fails to exert a direct influence on boosting corporate value. As a result, having a major proportion of members with these academic credentials is not a key consideration for improving how the market views a company. This situation suggests that formal degrees are insufficient to sway investor evaluations, which explains why an advanced educational profile on the committee does not lead directly to a higher valuation.

As with audit committee gender, the observation distribution for Audit Committee Education mirrors the pattern already reported above: both high- and low-education groups are dominated by low Company Value, with no material difference between them, consistent with the non-significant partial test result. The formal educational background of the audit committee has not yet become a main indicator that investors consider when assessing banking companies.

This phenomenon can occur because in practice the formal education background does not necessarily reflect the effectiveness of the implementation of supervisory functions in the company. Audit committee members who have accounting and financial education do not necessarily have practical experience, strategic skills, or dominant influence in the company's decision-making process. In addition, investors in banking companies tend to pay more attention to the fundamental condition of the company compared to the educational background of the audit committee members. This condition causes companies with high and low Audit Committee Education levels to still have the same relatively equal possibility in producing high or low Company Value. Thus, the formal educational background of audit committee members has not been the main indicator that is able to increase investor confidence in banking companies.

This study aligns with previous literature demonstrating that Audit Committee Education does not significantly alter Company Value, proving that accounting and financial expertise among members is not a main factor in raising a firm's market value. While Signaling Theory suggests that possessing these educational backgrounds should signal strong corporate governance and supervision, market participants tend to focus on concrete performance outcomes rather than formal qualifications. Because of this, a finance-heavy educational background on the audit committee does not provide a robust enough signal to elevate company value in the banking sector (Rahma & Sukarmanto, 2022).

From an Agency Theory perspective, financial expertise on the audit committee should narrow the information gap between management and shareholders, thereby lowering monitoring costs; the insignificant result here indicates that formal accounting or finance credentials alone do not fully substitute for demonstrated monitoring effectiveness in the eyes of investors. Resource Dependence Theory further frames educational background as a channel through which the committee accesses specialized knowledge; however, consistent with recent findings that expertise must be paired with independence and activity to influence market-relevant outcomes, education alone appears insufficient to shift firm value in this banking sample.

The Effect of Audit Committee Meeting Frequency on Company Value

According to the partial significance test, the Audit Committee's Meeting Frequency variable correlates negatively with Company Value, though the effect is not significant. These findings demonstrate that how often the committee meets fails to exert a direct influence on boosting corporate value. As a result, conducting numerous meetings is not a key consideration for improving how the market views a company. This situation suggests that meeting frequency is insufficient to sway investor evaluations, which explains why an increase in sessions does not lead directly to a higher valuation.

Consistent with the distribution patterns already reported for gender and education, low Company Value remains dominant regardless of meeting frequency, and firms meeting less often even show a slightly higher share of high Company Value, reinforcing that meeting frequency has not become a key indicator for elevating investor confidence in Indonesian banks.

This trend can be attributed to the fact that banking audit committees often meet simply to satisfy official governance rules. Additionally, a busy meeting schedule does not necessarily reflect effective supervision or robust decision-making. In some situations, a high intensity of meetings might even indicate underlying internal problems within the firm. Since investors place greater emphasis on concrete corporate results rather than the count of internal audit meetings, companies across all meeting frequencies face identical odds of achieving high or low value. Ultimately, the frequency of these meetings has not established itself as a primary factor for increasing investor trust in banks.

The findings of this study match prior research indicating that the frequency of Audit Committee meetings has no significant impact on Company Value. This shows that the intensity of these sessions is not a primary driver of increased corporate worth. From a Signaling Theory perspective, a busy meeting schedule should send a positive message about the firm's dedication to oversight and governance. However, investors prioritize actual financial performance over internal administrative actions like meeting counts. Consequently, a high frequency of audit committee meetings fails to deliver a powerful enough signal to boost the valuation of banking firms (Fatikasari & Wijayati, 2025).

Agency Theory would predict that more frequent meetings intensify monitoring and curb managerial opportunism, yet the insignificant coefficient suggests that meeting quantity in this sample does not necessarily translate into stronger oversight outcomes that investors reward. Resource Dependence Theory similarly views meeting frequency as a proxy for the committee's engagement in resource acquisition and advisory activity; the results imply that, without corroborating indicators of meeting substance, frequency alone is not treated by the market as a credible signal of governance quality, a pattern that echoes recent evidence that meeting activity is more strongly linked to internal reporting outcomes than to market valuation.

Linking Audit Committee Governance to ESG and Digital Governance Trends

Beyond the three tested characteristics, the broader trajectory of corporate governance in banking is increasingly shaped by ESG and digital governance considerations. Recent evidence shows that audit committee characteristics can strengthen the relationship between ESG disclosure and firm value by improving the credibility of sustainability information provided to investors, suggesting that Indonesian banking audit committees could enhance their influence on firm value by extending their oversight role to ESG and sustainability reporting rather than focusing solely on traditional financial and compliance monitoring. At the same time, digital transformation research indicates that technological change can either strengthen or, when governance safeguards are weak, erode disclosure quality and oversight effectiveness, implying that as Indonesian banks accelerate digital transformation, audit committees will need to expand their competencies toward digital governance and technology risk oversight if they are to remain a credible signal of firm value in the eyes of investors.

CONCLUSION

This study analyzed the effect of audit committee gender, education, and meeting frequency on firm value, with firm size as a control variable, among banks listed on the Indonesia Stock Exchange during 2020–2024. The results show that these three audit committee characteristics jointly affect firm value, yet none is individually significant, while firm size significantly affects firm value. These findings indicate that audit committee effectiveness in enhancing firm value depends on a combination of complementary governance aspects rather than any single characteristic, and that investors continue to weigh fundamental company factors more heavily than audit committee demographics.

Theoretically, this study contributes to corporate governance literature by demonstrating that Signaling Theory, Agency Theory, and Resource Dependence Theory jointly, rather than singly, explain how audit committee characteristics are priced by the market: individual traits do not function as strong enough signals on their own, but their combined presence still conveys information that investors incorporate into firm valuation, extending prior single-theory explanations of audit committee effectiveness in the banking sector.

Practically, banking companies are advised to continue strengthening good corporate governance by optimizing the combined performance of their audit committees rather than relying on any single characteristic, while investors should weigh corporate governance indicators alongside fundamental financial factors in their investment evaluation.

For regulators, particularly OJK, these findings suggest that governance regulations such as POJK No. 55/POJK.04/2015 and POJK No. 55/POJK.03/2016 could be strengthened by encouraging banks to disclose not just the presence but the substantive activity and outcomes of audit committee oversight, including its engagement with ESG and digital governance risks, so that governance quality is more transparently signaled to the market. Industry associations may also consider developing sector-specific audit committee effectiveness benchmarks for banks, given the heightened regulatory scrutiny and systemic importance of the sector relative to non-financial firms.

This study is limited to the banking sector listed on the Indonesia Stock Exchange during 2020–2024 and to three audit committee characteristics alongside a single control variable, which may constrain the generalizability of the findings. Future research is recommended to expand the sample scope to other industry sectors, extend the observation period, and include additional corporate governance and financial variables, such as audit committee independence, audit quality, profitability, leverage, institutional ownership, and ESG or digital governance indicators, to provide a more comprehensive understanding of the factors influencing corporate value.

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